

THE FEDERAL TRAFFIC BOARD

By
COMMANDER C. G. MAYO
Chairman
Federal Traffic Board

AN ADDRESS

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Gentlemen, I feel highly complimented in being allowed to address you again. Last year I had the very great pleasure and privilege of speaking to you at Atlantic City, then as a representative of the Navy Department. This time we have a new organization in the Government which is something similar to what you gentlemen have had among the carriers for the past thirty years or for a great many years, at least. Just recently the Federal Traffic Board has been organized and will endeavor to carry on through the Federal Government exactly what you have been doing for the carriers.

I have endeavored to outline here, in a few words, what we are and what we are trying to do. We also might be in a position of coming to you as one of the largest shippers in the country. The freight tonnage that the Government moves—the payments therefor—represent about one-tenth of the freight earnings of the carriers.

At the last session of Congress, the Government of the United States was placed on the budget system of accounting, a system that had been advocated for many years.

The first report of the Director of the Bureau of the Budget was submitted to the present Congress and showed the advantages of this system of appropriating for the Government. Many economies have been effected under this system that were impossible to effect in the past.

In placing the Government on a business basis, the President established a system of coordination throughout the Government service that has effected many economies and has paved the way for greater economies in the future.

In October, 1921, the Federal Traffic Board was created by direction of the President to make a complete study of traffic conditions of the Government Departments and to effect plans for simplification of accounts and payments, the reclassification or proper classification of Government materials, and the shipment of items of materials via freight or parcel post instead of by express.

The Board is composed of a representative from each of the

twenty-seven Government departments and establishments, and functions through a coordinator for traffic who is charged with executing the plans and recommendations of the Board.

One of the first steps of the Board was to promulgate a policy that it was essential for each Government Department to create a Traffic Department under the head of a Traffic Manager. This has been done in six of the largest Government Departments to date. The last one to adopt this plan was the Veterans' Bureau, and Colonel Forbes told me night before last that he would put them into effect.

The Traffic Manager, of course, is the representative of the department on the Federal Traffic Board. It was impossible for the Board to obtain from departmental representatives sufficient data on which to base recommendations as to the uniform handling of traffic conditions within the Government Departments, so a questionnaire, consisting of 268 questions, was forwarded, and the answers have since been received from the Government Departments and tabulated. Committees were formed to act upon the data received in answer to these questionnaires.

There are several standing committees of the Traffic Board.

The Routing Committee of the Board now routes all Government shipments in quantities of two carloads or more. As a matter of fact, they route for most Government Departments all carload shipments. The Routing Committee is making a study of track-age conditions at all Government depots, which is being tabulated and put in such form that when a request for routing is received from any Government activity a Committee can route this material with full knowledge of the local conditions prevailing both at point of origin and point of destination. Due to this routing by the Government, competing roads now receive an equitable share of Government shipments. We are endeavoring to distribute the tonnage equally among the carriers.

The duties of this committee grew to such an extent that it was found impracticable for this committee to handle shipments via water.

The Water Transportation Committee was formed to route Government shipments in quantities of two carloads or more via water where rail and water shipments or all water shipment is more advantageous to the Government than all rail shipments, every consideration being given to the questions of packing, handling, wharfage charges, etc. It is the policy of the Board in

connection with water shipments to forward as much of the Government shipments via Government-owned vessels as is possible. There is no attempt on the part of the Government to go into the transportation business. They are required to have certain transports and as they have those, they are used for this purpose when possible.

The Routing Committee is headed by Mr. H. B. Knowles, who is also the representative of the War Department on the Federal Traffic Board.

The Water Transportation Committee is headed by Mr. H. B. Bolten, who is also the representative of the Shipping Board on the Federal Traffic Board.

One of the subjects which heretofore has been given little consideration in connection with Government shipments was the subject of classification. The Classification Committee of the Board was formed to properly classify all Government materials or reclassify those which, in the opinion of the Committee, were improperly classified according to the established commercial freight classifications.

The first step of this committee was to issue a bulletin to all Government shipping activities, directing their attention to the existing consolidated freight classifications and directing that every effort should be made to classify Government shipments in accordance with the classifications contained in that publication. As it was impossible, however, to properly classify all items a questionnaire was prepared and forwarded to Government Departments, requesting certain data as to the items in existence which were not classified or which, in the opinion of the shipping officer, were improperly classified. These questionnaires contained all data necessary for action by the three Classification Committees of the carriers.

When questionnaires are received, the matter is referred to the Railway Classification Committees, and arrangements have now been made whereby these committees will at certain times send members to Washington to hold informal preliminary hearings in regard to the items that have been submitted to them for classification or reclassification. The Board is not taking an arbitrary stand in regard to these items, but is only submitting for consideration such items as, in the opinion of the Board, either require classification or reclassification.

The duties of this Committee, of course, will be continuous and

probably will not be completed for years. The Chairman of this Committee is the Acting Classification Agent of the Interstate Commerce Commission, and his experience as a classification agent enables the Government to present its views on the classification of Government items in a practical way.

The Board found, from its review of the answers to the questionnaires, that there was a decided lack of uniformity on the part of the Government Departments in connection with accounting and payment. This broad subject, which is of special interest to you gentlemen, has been the continuous study of the best men connected with the Government's accounting since last January.

The Committee on Accounting and Payments is headed by Captain E. M. Foster of the Finance Department of the Army. The War Department, of course, ships 58 per cent of all Government tonnage, the remaining 42 per cent being divided among all other Government departments. The other members of that committee are Mr. G. W. Smith of the Post Office Department, Lieutenant S. N. Phillips of the Marine Corps, Mr. N. N. Potts of the Department of Commerce, Mr. W. J. Fisher of the Panama Canal, Mr. H. A. Poveleite of the Railroad Administration, and Mr. C. A. Fenner of the Treasury Department. The Committee on Accounting and Payments have now completed a plan for simplified accounting and payments for all Government Departments which, when approved by the various departments of the Government, will greatly tend to increased efficiency. This plan, in its entirety, when approved by the Government, will be submitted to you gentlemen for your information, and I feel assured that it will meet with your very hearty approval and that the Government will receive and give greater cooperation in the future in connection with the accounting and payment of carriers' accounts.

It might be said, however, at this time, that through the courtesy of the President of this association, a committee composed of Mr. Kraft, Mr. Meglemry and Mr. Uhlman, representing the Railway Accounting Officers Association, recently met in Washington with the Board's Committee on Accounting and Payments, and studied the Government's proposed plan insofar as it affects the rendition of carriers' accounts. We have met with cooperation of this character since the Board was organized, and such cooperation has greatly helped the Board in arriving at satisfactory answers to the problems that have been presented to it.

The Committee on Parcel Post and Express has presented to

it problems that have been studied by Government Departments and Committees from Congress for many years in the past. The Committee's recommendations have been submitted and are awaiting action by the Government Departments as to their approval.

The Committee on Passenger Traffic has made a study of passenger traffic conditions in the various Government Departments. The military end of passenger traffic is very well taken care of under the Joint Military Arrangement, but this Committee has proposed changes in connection with other classes of Government travel which it is hoped will be effected in the near future.

I have given the above résumé of the duties of the Board in a very brief form. There are enormous problems affecting every phase of transportation presented almost daily. The big advantage to the Government is in having a centralized Traffic Board which can study and recommend traffic changes that will be uniform for all Government Departments. This has been of decided advantage to the carriers because instead of soliciting business from twenty-seven different Government Departments—and some of these Departments had as many as nine different traffic heads—the carriers now come to the Traffic Board and obtain all the desired information regarding Government shipments.

As I stated before, the Federal Traffic Board is a coordinating agency of the Government, and it is believed that its advantage as a coordinating agency to the Government can best be effected by the closest cooperation with the carriers and associations representing the carriers, such as the Railway Accounting Officers Association. It is not desired that the Government take an arbitrary stand in regard to handling its business, but it must be realized that while this spirit of cooperation is the basis on which the Federal Traffic Board functions, that the system of Government accounting and payments is the subject of numerous laws and decisions and that the Traffic Board must abide by these decisions even though at times they appear to the carriers to be very arbitrary. In the future it is hoped that many of these arbitrary decisions will be modified and that a uniform system will be effected which will place the Government in the foremost ranks of shippers in regard to its methods of accounting and payments.

So, you will realize, gentlemen, that in the future, matters that the carriers want to present to any department of the Government will come to the Federal Traffic Board, which will operate as a clearing house for the Government Departments. In the same

manner, after we have considered, in the Traffic Board, problems relating to all the Government Departments, we will submit them from the Traffic Board to the carriers.

Please bear in mind that although the Federal Traffic Board has been created to effect economies for the Government, these economies are mainly to be effected by placing the transportation matters of the Government on a businesslike basis and that in every case the Board will take into account the interest of the railroads of the country and that no action will be taken which would act as an injustice to the carriers.

I appreciate very much your allowing me to present these facts. I know that you will be interested in knowing what we are trying to do.

I thank you, gentlemen. (Applause.)

The Future of Railway Accounting

Because of recent legislation and the rules and regulations of regulatory bodies, the responsibility of the accounting officer to the public is of much importance. The Interstate Commerce Commission says that the accounting officer is to some extent a joint administrator with it of the Act to Regulate Commerce. This is true, especially of claims which are referred to the accounting department. In passing upon such matters, the accounting department must be guided by the provisions of the law as fully as the Commission would be if they were presented to it for adjustment.

This rapid rise in importance and the expansion of the duties of the accounting department are due to a number of factors. First, the enormous growth of the railroad corporations through construction, mergers and consolidations and the investment, in their stock and bonds, of thousands of security holders. This demands a much more accurate and authoritative determination of profit and loss and valuation of assets than when the carriers were owned or controlled by a comparatively few individuals. Second, Federal regulation. The Federal legislation of the past few years governing interstate commerce has exerted a more powerful influence on the number and importance of the functions of the railway accountant than any other factor. Third, since the charges for the service rendered by the carriers are practically dependent upon legislative authority, it is essential to know the exact value of the capital upon which dividends must be paid and the true profit which has been earned in order to fix these charges on an equitable basis. Fourth, to the personnel of the department itself, and Fifth, to the work of the Railway Accounting Officers Association.

These last two factors are somewhat synonymous as the remarkable results accomplished by the association is largely a reflection of the caliber of the men who compose it and who direct its activities. This combination of economic necessity, legislative action and personal ability have been the levers that have raised the railroad accounting officer to his present position of prominence in the railroad field. But the heights to which he may aspire have not yet been reached. His new importance is such a recent development that there are few, if any, railroad presidents who are purely a product of the accounting department. The field of railroad management and finance is therefore open to him.

But aside from a purely personal advancement, the future of the

railway accounting officer depends largely on the work yet to be accomplished. This work is vitally related to the efficiency of the transportation machine. It includes such items as the compilation of reliable and comparative cost statistics. The standing of the railroad accountant has reached that stage where he can initiate such statistics. He can, with propriety, go to a general manager and point out inefficiencies of operation; he can show a division superintendent whether or not his theories of train handling are right or wrong, and he can point to that section or extra gang foreman or to that bridge and building foreman whose reputation for efficiency is based on personality rather than on real accomplishments.

Another and perhaps the most important phase of railway accounting work of the future is the securing of uniformity and the simplification of railway accounting procedure. That the accounting officers are fully alive to the necessity of this is shown by the large number of recommendatory rules and practices adopted by the Railway Accounting Officers Association. Last year mandatory rules relating to interline accounting methods and forms were put into effect for the first time. This was a great step forward in the attainment of that uniformity in the accounting relationship between the individual carriers so greatly desired.

At the convention of the association this year there seemed to have been a reaction against the adoption of further mandatory rules. This, to the observer, seems a step in the wrong direction. Petty details of accounting, lack of confidence, personal differences of opinion and the fear to assume authority should not be allowed to stand in the way of simplified and uniform accounting, especially when the advantages of proposed mandatory rules are freely admitted.

The broad-minded railway accounting officer looks into the future. He sees there looming darkly on the horizon the shadow of government ownership. But preceding that is the reality of governmental regulation. Thus far the regulatory powers of the government or of the Interstate Commerce Commission have not invaded the field of railway accounting procedure. It has not yet prescribed methods by which the accounts should be kept nor the methods by which settlements should be made between the individual carriers. These methods have been left entirely to the roads and, through the accounting officers association, they have been slowly but surely evolving uniform practices and forms.

When the process of evolution stops, progress stops. And when

progress stops, disintegration sets in. The result as applied to railway accounting is not hard to foresee: merely another extension of the powers of the federal government to regulate interstate commerce, in this instance the application of compulsory interline accounting methods, leading eventually to prescribed practices governing all railway accounting methods. What this would mean to the railway accounting officer and to the Railway Accounting Officers Association is not difficult to determine.

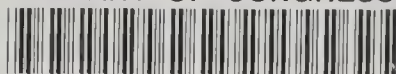
A third factor that the accounting officer of the future must face is what is commonly termed "the human factor in railroading." It is unfortunate, in fact, it is almost tragic in its results, that the railway associations have seen fit to give so little time to this very vital element of efficient railway operation.

The accounting officer may feel that he is exceeding his authority and reaching out into the field of management when he discusses the wage scales or working agreements affecting railroad clerical workers. Yet what factors are of greater importance to the morale of his force and to the consequent efficiency of the department than that the workers be graded as to the importance of their duties and reasonable working rules and agreements established.

But this is not the only element affecting the personnel of the accounting department. The problem of educating and training the clerical workers has almost equal weight. One has but to glance through the agenda of the accounting officers association or listen to its proceedings to realize that railway accounting represents the most intricate and comprehensive phase of railway work. It is so complex and extensive in its ramifications that the freight accounting officer will profess openly his lack of knowledge of passenger and disbursement accounting procedure; the disbursement officer his unfamiliarity with either freight or passenger accounting, and the passenger accountant his ignorance of the details of freight and disbursement work.

Railway accounting is so specialized even in its branches that it is difficult even for the accounting officer to obtain more than a smattering of the principles involved and of the work performed by accounting divisions other than his own without additional study. Yet complete knowledge is very necessary to produce the well-versed railway accountant; it is also necessary to perform intelligently the duties of the general auditor or comptroller.

Apply this same reasoning to the chief clerks, the head clerks, and the senior clerks of the accounting officers, apply it even to the office boy who expects to remain in the accounting department. Isn't it



highly desirable from the standpoint of the present and future efficiency of the accounting department and from the personal advancement of the clerks themselves, that they be trained in the general principles of accounting, in the procedure of the different departments and particularly in the origin, destination and reasons for the work performed?

The fact that a clerk can reach the position of chief clerk in the passenger accounting department without knowing the meaning of advances on a waybill is not only a reflection on the individual but also on the accounting officer, for his failure to point out a way and to encourage the acquisition by his subordinates of that technical knowledge of related accounting work so necessary for the maintenance of morale and the intelligent understanding of all accounting procedure.

A number of individual carriers have taken some very definite steps towards training their clerical employees. Periodical meetings are held, accounting clubs formed, and in one or two instances definite accounting courses established. In many cases the clerks themselves have taken the initiative while in others the accounting officers have originated the work. But these efforts have produced only local results. What is needed is action by the accounting officers' association in proposing a course of study, in cooperating officially with those schools and colleges or universities that are attempting to disseminate accounting knowledge and in passing on the merits, perhaps through a special educational committee, of such courses offered to the clerical workers of the carriers. By acting in accordance with this program, the association would secure all the results that would accrue from a course of railway accounting actually prepared, maintained and disseminated by itself.

William J. Hobbs, vice-president of the Boston & Maine R. R., very aptly summed up the work of the railroad accountant in a recent address: "The accounting department," he said, "has made rapid strides in the march of progress during the last decade and its position has been fixed as one of the leading branches of the service. Its standing in the railway world has been reached after many years of patient, intelligent and faithful work, and I am confident that its present status can be maintained, and its importance even enlarged by the continuation of an earnest devotion to duty, coupled with an eager and ever-yearning desire for knowledge and the application of it in ways that will result in bringing about economies in the administration of the properties."—*Editorial, Railway Review, July 1, 1922.*